

To: Deputy Administrator[62Perciasepe.Bob73@epa.gov]; David Marchick; (b) (6); Ron Minsk; (b) (6)
From: McCabe, Janet
Sent: Thur 2/6/2014 2:47:56 AM
Subject: RE: RINS jumped to \$.55 today

It's a mystery to me where the notion of a potential delay comes from....

From: Deputy Administrator
Sent: Wednesday, February 05, 2014 6:35 PM
To: David Marchick; Ron Minsk; McCabe, Janet
Subject: Re: RINS jumped to \$.55 today

Hi David

Janet and I met with about a dozen folks from the refining world yesterday. Jack Gerard was with them

We were clear we are working to get the work done in the spring.

Bob
Deputy Administrator
(b) (6)

From: David Marchick
Sent: Wednesday, February 5, 2014 3:23 PM
To: Deputy Administrator; Ron Minsk; McCabe, Janet
Subject: RINS jumped to \$.55 today

They were \$.25 - \$.30 before the report on the potential EPA delay.

Sent from my iPad

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To: McCabe, Janet[McCabe.Janet@epa.gov]
From: Kirsten Skala
Sent: Fri 1/30/2015 8:31:36 PM
Subject: FW: Letter from Ben Wootton, former biodiesel producer from PA
McCarthy Letter January 2015- Ben Wootton.pdf

Dear Ms. McCabe,

FYI the attached letter was sent to Administrator McCarthy and others earlier today but your e-mail was left off, my apologies.

Sincerely,

Kirsten Skala

From: Kirsten Skala
Sent: Friday, January 30, 2015 10:09 AM
To: Mccarthy.gina@epa.gov
Cc: oecc (b) (6); HShelanski (b) (6); dmancini (b) (6); agsec@usda.gov
Subject: Letter from Ben Wootton, former biodiesel producer from PA

Dear Administrator McCarthy,

On behalf of Mr. Ben Wootton, a former biodiesel producer from Pennsylvania and current governing board member of the National Biodiesel Board, I'm sending the attached letter regarding the ongoing delays in finalizing the Renewable Fuel Standard.

We appreciate your time and consideration on this timely issue. If you have any questions please contact the NBB DC office at 202-737-8801 or by e-mailing me kskala@biodiesel.org.

Sincerely,

Kirsten Skala

Kirsten V. Skala

Public Affairs & Communications Associate

National Biodiesel Board

1331 Pennsylvania Ave NW Suite 505

Washington, D.C.

O: 202-737-8801

www.nbb.org



National Biodiesel Board 605 Clark Ave PO Box 104898 Jefferson City, MO 65110-4898 (800) 841-5849 phone (573) 635-7913 fax	National Biodiesel Board 1331 Pennsylvania Ave., NW Suite 505 Washington, DC 20004 (202) 737-8801 phone www.biodiesel.org
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Jan. 30, 2015

VIA EMAIL

The Honorable Gina McCarthy
Administrator
Environmental Protection Agency
1200 Pennsylvania Ave., NW
Room 3000
Washington, DC 20460

Dear Administrator McCarthy:

I am writing this letter on behalf of the National Biodiesel Board as a member of the Governing Board. As you know, we are the trade association representing the biodiesel and renewable hydrocarbon diesel industry spanning the entire Biomass-Based Diesel category of the Renewable Fuel Standard. Biomass-Based Diesel is the first and currently the only fully commercialized, nationwide, domestic fuel that qualifies as an Advanced Biofuel under the Renewable Fuel Standard.

You are well aware of our urgent concerns regarding the ongoing delays in finalizing Renewable Fuel Standard volumes for Biomass-Based Diesel. However, recent actions from the EPA and comments from you and other Administration officials regarding the RFS have generated great concern in the U.S. biodiesel community that you may not fully recognize the significant damage that the uncertainty surrounding this rule has caused for our industry and the thousands of employees it represents. Late last year, for example, you were quoted as saying, *"While I would have preferred to have this rule done earlier, it hasn't slowed down that industry that I can see."*

Additionally, while our industry was already in distress, the actions of your agency this week to lower the RFS sustainability standards for subsidized Argentinian biodiesel was in the view of our members an incredibly disappointing development. Given the fact that your agency was required by law to have 2015 volumes finalized over a year ago, but have been unable to complete even 2014 volumes even though those volumes are now known, it is shocking that the EPA would make the lowering of sustainability standards of highly subsidized foreign fuel a priority. We urge you to strongly reconsider this decision.

Your statement suggesting that the delay in the 2014 rule did not cause significant harm compels me to tell my personal story. Prior to coming to the biodiesel industry I had founded a mobile medical diagnostic company and grew it into the second largest such company in the country. I had been a successful CPA and a successful CEO, and I had not failed at any of my previous pursuits. When I learned about biodiesel, I loved everything about the product and the benefits that it brought to the country. When I learned about the RFS as a meaningful policy to reduce carbon and diversify the transportation

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ED_000313_O365_00000006

fuel supply, I decided to answer the call. I sold my medical company and invested all of my considerable resources in a biodiesel plant in Pennsylvania. But the uncertainty and delayed implementation of the RFS program put my business in trouble. In 2013 I was forced into Chapter 11 reorganization protection. I had attracted a number of new investors to help me reorganize and come out of Chapter 11. However, when the leaked draft 2014 rule surfaced later that year, my investment partners immediately put their plans on hold. When the final rule continued to be delayed throughout 2014 with no resolution my prospects of reorganization were killed. My business was liquidated and I lost everything. My life savings, my retirement, my daughters' college funds, everything but my house, which now has two mortgages on it representing a huge debt. And it was not just my family that was harmed. At the height of operations, I employed 30 people, about half of whom were veterans of Iraq and Afghanistan that I had deliberately recruited. All of this damage and ruin could have been avoided had the law simply been implemented as Congress intended and as the statute requires.

Having just returned from our industry's annual conference, I can tell you that my story is not unique. There are many small business owners like me who lost or are in danger of losing their businesses due to the lack of implementation of this law. We invested our lifesavings, not on some risky speculative scheme, but on a federal statute that is required to be complied with under penalty of law. Individuals and companies have been fined for not complying with aspects of this law, including deadlines. Yet the agency responsible for implementing and enforcing the law has not complied with the law. And now to add insult to injury, your agency has put a higher priority on a discretionary, non-urgent decision to reduce sustainability standards on subsidy-laden foreign product at the expense of the already distressed domestic industry. And EPA took this unilateral action disbelieving our many statements about the harmful impact it will almost certainly have on the domestic biodiesel industry. EPA also took this action without notice or opportunity for public comment. Based on years of statements by you and President Obama, we all believed we had an ally in this Administration. But we have been stunned and frustrated by the Administration's inaction and perceived disregard for biodiesel.

The National Biodiesel Board and I are requesting a meeting with you to discuss these dire concerns. We are requesting that you reconsider your decision about Argentinian product, and we are urgently requesting a finalized 2014 rule which sets biomass-based diesel at actual production of 1.75 billion gallons and total advanced biofuel at the statutory 3.75 billion gallon level.

Your November 2014 announcement of another delay of the 2014 RVO rule stated that it is your goal to finalize the 2014, 2015, and 2016 volumes all in calendar year 2015. We want to discuss ways that we can help you meet that goal. It is important to the survival of the RFS and therefore the survival of our industry that the Biomass-Based Diesel category and total Advanced Biofuel category be predictably and sustainably grown over time.

Best Regards,

Ben Wootton
National Biodiesel Board
Governing Board Member

CC:

Secretary Tom Vilsack - USDA

Administrator Howard Shelanski – OMB/OIRA

Assistant Administrator Janet McCabe - EPA

John Podesta – White House

Dan Utech – White House Domestic Policy Council

To: McCabe, Janet[McCabe.Janet@epa.gov]
Cc: Argyropoulos, Paul[Argyropoulos.Paul@epa.gov]; Grundler, Christopher[grundler.christopher@epa.gov];
bdelahunt@thedelahuntgroup.com[bdelahunt@thedelahuntgroup.com]
From: Brooke Coleman
Sent: Fri 7/18/2014 1:34:36 PM
Subject: re: thanks for mtg

Assistant Administrator McCabe,

Thank you for taking the time on Tuesday to meet with us re: the RVO. We enjoyed the conversation and we look forward to ongoing engagement. We would be happy to discuss resolution of this issue further. I am available at any time at (b) (6) Thanks again, -Brooke

To: Minsk Ron (b) (6); Deputy
Administrator[62Perciasepe.Bob73@epa.gov]; McCabe, Janet[McCabe.Janet@epa.gov]; Zients
Jeff[Jeffrey_D_Zients(b) (6)]; Podesta John[John_D_Podesta(b) (6)]
From: David Marchick
Sent: Fri 3/7/2014 1:45:40 PM
Subject: Fwd: OPIS End of Day Ethanol Assessment Report

RINS market getting even worse . . .

Pls see below.

Dave

Sent from my iPhone

Begin forwarded message:

From: "SCARGLE, THOMAS J" <THOMAS.SCARGLE@pes-companies.com>
Date: March 7, 2014 at 7:45:53 AM EST
To: "RINALDI, PHILIP L" <PHILIP.RINALDI@pes-companies.com>, David Marchick
<David.Marchick@carlyle.com>
Cc: "MCSHANE, JOHN B" <JOHN.MCSHANE@pes-companies.com>
Subject: FW: OPIS End of Day Ethanol Assessment Report

Yesterday close.

B14 jumped 12 cents in last 4 days, driven by increase in bio-feedstocks. This rise comes from the Obama administration budget announcement to not renew the tax credit.

Overall speculation that the EPA could revise the 2014 Renewable Fuel Standard higher appears to be picking up momentum as traders have bidding values of the entire RIN complex higher.

That has taken D4s to their highest level since mid-October.

-----Original Message-----

From: opisethanol@opisnet.com [mailto:opisethanol@opisnet.com]
Sent: Thursday, March 06, 2014 5:22 PM
To: OPIS Ethanol Updates
Subject: OPIS End of Day Ethanol Assessment Report

SPOT ETHANOL ASSESSMENT

	LOW	HIGH	AVG
Chicago	\$2.3800-\$2.4000		\$2.3900
Chicago Rule 11	\$3.1800-\$3.2400		\$3.2100
Chicago Dead Prompt	\$2.3900-\$2.4100		\$2.4000

New York	\$3.4300-\$3.4600	\$3.4450
New York ITT	\$3.4700-\$3.5100	\$3.4900
Gulf Coast	\$3.2500-\$3.3000	\$3.2750
Dallas	\$3.3200-\$3.3400	\$3.3300
Tampa	\$3.3600-\$3.4200	\$3.3900
Phoenix	\$3.3800-\$3.4000	\$3.3900
Nebraska	\$3.1200-\$3.1500	\$3.1350
Pac NW (1-5 days)	\$3.2600-\$3.3900	\$3.3250
S.F. (90.1 1-5 days)	\$3.3600-\$3.4100	\$3.3850
L.A. (90.1 1-5 days)	\$3.3600-\$3.4100	\$3.3850
L.A. (90.1 6-15 days)	\$3.3300-\$3.3700	\$3.3500

SPOT SME BIODIESEL ASSESSMENT

	LOW	HIGH	AVG
Chicago	\$3.6000-\$3.7000	\$3.6500	
Gulf Coast	\$3.5300-\$3.6300	\$3.5800	
New York	\$3.5800-\$3.6800	\$3.6300	

ETHANOL RIN CREDITS

	LOW	HIGH	AVG
2012	\$0.5500-\$0.5700	\$0.5600	
2013	\$0.5700-\$0.5900	\$0.5800	
2014	\$0.5450-\$0.5650	\$0.5550	

CELLULOSIC RIN CREDITS (EPA Waiver Calculation)

	LOW	HIGH	AVG
2012	\$0.7700-\$0.7900	\$0.7800	
2013	\$0.4150-\$0.4250	\$0.4200	

BIODIESEL RIN CREDITS

	LOW	HIGH	AVG
2012	\$0.5500-\$0.5700	\$0.5600	
2013	\$0.5800-\$0.6000	\$0.5900	
2014	\$0.6800-\$0.7250	\$0.7025	

ADVANCED BIOFUEL RIN CREDITS

	LOW	HIGH	AVG
2012	\$0.5400-\$0.5700	\$0.5550	
2013	\$0.5700-\$0.6000	\$0.5850	
2014	\$0.6500-\$0.6800	\$0.6650	

CALIF. LOW CARBON FUEL STANDARD

	LOW	HIGH	AVG
Carbon Credit (\$/MT)	\$39.000-\$42.000	\$40.500	
Carbon Intensity Pts (\$/CI)	\$0.0032-\$0.0034	\$0.0033	
Carbon CPG Gasoline (\$/gal)	\$0.0057-\$0.0061	\$0.0059	

Carbon CPG Diesel (\$/gal) \$0.0051-\$0.0055 \$0.0053

Note: Market commentary for the above spot assessments will follow this e-mail shortly. The assessment values shown above are final for the day.

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To: 'rminsk@ (b) (6) Deputy
Administrator[62Perciasepe.Bob73@epa.gov]; McCabe, Janet[McCabe.Janet@epa.gov]
From: David Marchick
Sent: Fri 1/31/2014 4:33:43 PM
Subject: Fw: Fwd: BIOFUELS UPDATE: ***RINs Get Boost from EPA Delay; Provoke Re-examination of Blending Economics

FYI - Bad market reaction to perception that timeline is slipping.

Dave

From: SCARGLE, THOMAS J [mailto:THOMAS.SCARGLE@pes-companies.com]
Sent: Friday, January 31, 2014 10:06 AM
To: David Marchick; RINALDI, PHILIP L <PHILIP.RINALDI@pes-companies.com>; MCSHANE, JOHN B <JOHN.MCSHANE@pes-companies.com>
Subject: Fwd: BIOFUELS UPDATE: ***RINs Get Boost from EPA Delay; Provoke Re-examination of Blending Economics

FYI

Sent from my iPhone

Begin forwarded message:

From: <opisethanol@opisnet.com>
Date: January 31, 2014 at 10:04:56 AM EST
To: OPIS Ethanol Updates <opisethanol@announce.opisnet.com>
Subject: BIOFUELS UPDATE: ***RINs Get Boost from EPA Delay; Provoke Re-examination of Blending Economics

2014-01-31 10:04:05 EST

***RINs Get Boost from EPA Delay; Provoke Re-examination of Blending Economics

Thinly traded markets don't like uncertainty or delays, and yesterday's OPIS report that EPA now expects to issue its final 2014 Renewable Fuel Standard (RFS) by this summer, a slight delay from previous estimates, provoked a strong rally in ethanol and biodiesel Renewable Identification Numbers (RINs).

Some observers believe that the inaction by EPA may keep RIN values elevated through the first six months of the year and see obligated parties pay up, rather than risk chasing the renewable credits higher should murmurs of higher volume obligations surface.

Prices for D6 Ethanol RINs started Thursday around 36cts, but late-afternoon deals for the 2014 vintage were recorded at 39cts. Biodiesel RINs also surged with values surpassing 50cts/gal late in the day.

For marketers who blend ethanol with gasoline blendstock and generate the RINs, the EPA delay and surge in values came as welcome news. Large c-store chains like Casey's, for example, have reported millions of dollars of additional profit in recent quarters tied to RINs.

The higher RIN quotes are also a wild card that might provoke some additional E85 offerings.

Midwestern gasoline blendstock fetched a price around \$2.55/gal, irrespective of spot sourcing, and that put the hydrocarbon fuel cost some 66cts/gal above spot ethanol. If one could sell D6 RINs for 40cts, the blending arithmetic added up to a finished cost for E85 that was about 75cts/gal below the implied cost of traditional E10.

EPA previously estimated a final 2014 RFS rule out by the spring of this year. However, in a one-sentence statement issued later Thursday, EPA clarified that the agency's "timing has not changed and the goal remains the same as we stated at proposal." EPA is specifically pointing to the wording of "by summer" for the proposal to be finalized, noting that timeframe could still happen during the spring.

The delay in any resolution from EPA wasn't the only factor lifting RIN quotes. Refiners often come into the market and balance their obligations with RIN purchases at the end of the month, and some of that action was noticed Thursday, and may continue through today.

--Tom Kloza, tkloza@opisnet.com

The award-winning OPIS Spot Ticker, which allows you to predict where rack prices are headed, now features RIN credit prices. Buyers and sellers can now see ethanol RIN updates three times a day and biomass-based diesel and advanced biofuels RINs each evening. Access RIN prices throughout the day with this unique market tool. For your free 10-day trial visit www.opisnet.com/products/spot-ticker.aspx or call 888.301.2645.

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--Tom Kloza, tkloza@opisnet.com

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To: Deputy Administrator[62Perciasese.Bob73@epa.gov]; McCabe, Janet[McCabe.Janet@epa.gov]; Ronald_E_Minsk (b) (6)
From: David Marchick
Sent: Mon 11/11/2013 4:08:07 PM
Subject: Fw: OPIS End of Day Ethanol Assessment Report

FYI

----- Original Message -----

From: SCARGLE, THOMAS J [mailto:THOMAS.SCARGLE@pes-companies.com]
Sent: Monday, November 11, 2013 11:05 AM
To: David Marchick; MCSHANE, JOHN B <JOHN.MCSHANE@pes-companies.com>; RINALDI, PHILIP L <PHILIP.RINALDI@pes-companies.com>
Subject: FW: OPIS End of Day Ethanol Assessment Report

Friday's report. E13 D6 traded at 27 this am.

Thomas J. Scargle
SVP Supply and Trading
Philadelphia Energy Solutions
1735 Market Street
Philadelphia, PA 19103
Work: 267-238-4388
Cell: 215-620-0325
E-mail: thomas.scargle@pes-companies.com

-----Original Message-----

From: opisethanol@opisnet.com [mailto:opisethanol@opisnet.com]
Sent: Friday, November 08, 2013 5:26 PM
To: OPIS Ethanol Updates
Subject: OPIS End of Day Ethanol Assessment Report

SPOT ETHANOL ASSESSMENT

	LOW	HIGH	AVG
Chicago	\$1.7500	\$1.7825	\$1.7663
Chicago Rule 11	\$1.7700	\$1.8000	\$1.7850
New York	\$2.0100	\$2.0600	\$2.0350
Gulf Coast	\$1.8400	\$1.8950	\$1.8675
Dallas	\$1.9250	\$1.9400	\$1.9325
Tampa	\$2.0250	\$2.0400	\$2.0325
Phoenix	\$2.0100	\$2.0400	\$2.0250
Nebraska	\$1.7550	\$1.7800	\$1.7675
Pac NW (1-5 days)	\$1.8900	\$1.9000	\$1.8950
S.F. (90.1 1-5 days)	\$1.9900	\$2.0400	\$2.0150
L.A. (90.1 1-5 days)	\$1.9900	\$2.0400	\$2.0150
L.A. (90.1 6-15 days)	\$1.9500	\$2.0100	\$1.9800

SPOT SME BIODIESEL ASSESSMENT

	LOW	HIGH	AVG
Chicago	\$4.0200	\$4.1500	\$4.0850
Gulf Coast	\$3.9700	\$4.0800	\$4.0250
New York	\$3.9700	\$4.0700	\$4.0200

ETHANOL RIN CREDITS

	LOW	HIGH	AVG
2012	\$0.2500	\$0.2700	\$0.2600
2013	\$0.2600	\$0.2800	\$0.2700
2014	\$0.2700	\$0.2900	\$0.2800

CELLULOSIC RIN CREDITS (EPA Waiver Calculation)

	LOW	HIGH	AVG
2012	\$0.7700	\$0.7900	\$0.7800
2013	\$0.4150	\$0.4250	\$0.4200

BIODIESEL RIN CREDITS

	LOW	HIGH	AVG
2012	\$0.3200	\$0.3700	\$0.3450
2013	\$0.3300	\$0.3800	\$0.3550
2014	\$0.5000	\$0.5500	\$0.5250

ADVANCED BIOFUEL RIN CREDITS

	LOW	HIGH	AVG
2012	\$0.2500	\$0.3000	\$0.2750
2013	\$0.2800	\$0.3400	\$0.3100
2014	\$0.3000	\$0.4000	\$0.3500

CALIF. LOW CARBON FUEL STANDARD

	LOW	HIGH	AVG
Carbon Credit (\$/MT)	\$81.000	\$88.000	\$84.500
Carbon Intensity Pts (\$/Cl)	\$0.0066	\$0.0072	\$0.0069

Note: Market commentary for the above spot assessments will follow this e-mail shortly. The assessment values shown above are final for the day.

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To: Deputy Administrator[62Perciasepe.Bob73@epa.gov]; McCabe, Janet[McCabe.Janet@epa.gov]; 'Ronald_E_Minsk'(b) (6)
From: David Marchick
Sent: Mon 11/11/2013 4:08:07 PM
Subject: Fw: OPIS End of Day Ethanol Assessment Report

FYI

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Sent: Monday, November 11, 2013 11:05 AM
To: David Marchick; MCSHANE, JOHN B <JOHN.MCSHANE@pes-companies.com>; RINALDI, PHILIP L <PHILIP.RINALDI@pes-companies.com>
Subject: FW: OPIS End of Day Ethanol Assessment Report

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Thomas J. Scargle
SVP Supply and Trading
Philadelphia Energy Solutions
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Work: 267-238-4388
Cell: 215-620-0325
E-mail: thomas.scargle@pes-companies.com

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From: opisethanol@opisnet.com [mailto:opisethanol@opisnet.com]
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To: OPIS Ethanol Updates
Subject: OPIS End of Day Ethanol Assessment Report

SPOT ETHANOL ASSESSMENT

	LOW	HIGH	AVG
Chicago	\$1.7500	\$1.7825	\$1.7663
Chicago Rule 11	\$1.7700	\$1.8000	\$1.7850
New York	\$2.0100	\$2.0600	\$2.0350
Gulf Coast	\$1.8400	\$1.8950	\$1.8675
Dallas	\$1.9250	\$1.9400	\$1.9325
Tampa	\$2.0250	\$2.0400	\$2.0325
Phoenix	\$2.0100	\$2.0400	\$2.0250
Nebraska	\$1.7550	\$1.7800	\$1.7675
Pac NW (1-5 days)	\$1.8900	\$1.9000	\$1.8950
S.F. (90.1 1-5 days)	\$1.9900	\$2.0400	\$2.0150
L.A. (90.1 1-5 days)	\$1.9900	\$2.0400	\$2.0150
L.A. (90.1 6-15 days)	\$1.9500	\$2.0100	\$1.9800

SPOT SME BIODIESEL ASSESSMENT

	LOW	HIGH	AVG
Chicago	\$4.0200	\$4.1500	\$4.0850
Gulf Coast	\$3.9700	\$4.0800	\$4.0250
New York	\$3.9700	\$4.0700	\$4.0200

ETHANOL RIN CREDITS

ED_000313_O365_00000054

	LOW	HIGH	AVG
2012	\$0.2500	\$0.2700	\$0.2600
2013	\$0.2600	\$0.2800	\$0.2700
2014	\$0.2700	\$0.2900	\$0.2800

CELLULOSIC RIN CREDITS (EPA Waiver Calculation)

	LOW	HIGH	AVG
2012	\$0.7700	\$0.7900	\$0.7800
2013	\$0.4150	\$0.4250	\$0.4200

BIODIESEL RIN CREDITS

	LOW	HIGH	AVG
2012	\$0.3200	\$0.3700	\$0.3450
2013	\$0.3300	\$0.3800	\$0.3550
2014	\$0.5000	\$0.5500	\$0.5250

ADVANCED BIOFUEL RIN CREDITS

	LOW	HIGH	AVG
2012	\$0.2500	\$0.3000	\$0.2750
2013	\$0.2800	\$0.3400	\$0.3100
2014	\$0.3000	\$0.4000	\$0.3500

CALIF. LOW CARBON FUEL STANDARD

	LOW	HIGH	AVG
Carbon Credit (\$/MT)	\$81.000	\$88.000	\$84.500
Carbon Intensity Pts (\$/CI)	\$0.0066	\$0.0072	\$0.0069

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To: 'rminsk@ (b) (6)'; McCabe, Janet[McCabe.Janet@epa.gov]
From: David Marchick
Sent: Wed 11/6/2013 12:45:48 PM
Subject: Fw: OPIS End of Day Ethanol Assessment Report

FYI

----- Original Message -----

From: SCARGLE, THOMAS J [mailto:THOMAS.SCARGLE@pes-companies.com]
Sent: Wednesday, November 06, 2013 07:40 AM
To: David Marchick; RINALDI, PHILIP L <PHILIP.RINALDI@pes-companies.com>; MCSHANE, JOHN B <JOHN.MCSHANE@pes-companies.com>
Subject: FW: OPIS End of Day Ethanol Assessment Report

fyi

-----Original Message-----

From: opisethanol@opisnet.com [mailto:opisethanol@opisnet.com]
Sent: Tuesday, November 05, 2013 5:28 PM
To: OPIS Ethanol Updates
Subject: OPIS End of Day Ethanol Assessment Report

SPOT ETHANOL ASSESSMENT

	LOW	HIGH	AVG
Chicago	\$1.7000	\$1.7200	\$1.7100
Chicago Rule 11	\$1.7500	\$1.7700	\$1.7600
New York	\$1.9500	\$1.9900	\$1.9700
Gulf Coast	\$1.7900	\$1.8300	\$1.8100
Dallas	\$1.8500	\$1.8900	\$1.8700
Tampa	\$1.9300	\$1.9750	\$1.9525
Phoenix	\$1.9000	\$1.9100	\$1.9050
Nebraska	\$1.6700	\$1.7100	\$1.6900
Pac NW (1-5 days)	\$1.8500	\$1.9000	\$1.8750
S.F. (90.1 1-5 days)	\$1.9200	\$1.9400	\$1.9300
L.A. (90.1 1-5 days)	\$1.9200	\$1.9400	\$1.9300
L.A. (90.1 6-15 days)	\$1.8800	\$1.9100	\$1.8950

SPOT SME BIODIESEL ASSESSMENT

	LOW	HIGH	AVG
Chicago	\$4.0600	\$4.2000	\$4.1300
Gulf Coast	\$4.0300	\$4.1300	\$4.0800
New York	\$4.0800	\$4.1800	\$4.1300

ETHANOL RIN CREDITS

	LOW	HIGH	AVG
2012	\$0.2700	\$0.2800	\$0.2750
2013	\$0.2800	\$0.2900	\$0.2850
2014	\$0.2850	\$0.2950	\$0.2900

CELLULOSIC RIN CREDITS (EPA Waiver Calculation)

	LOW	HIGH	AVG
2012	\$0.7700	\$0.7900	\$0.7800
2013	\$0.4150	\$0.4250	\$0.4200

BIODIESEL RIN CREDITS

	LOW	HIGH	AVG
2012	\$0.3600	\$0.3700	\$0.3650
2013	\$0.3800	\$0.3900	\$0.3850
2014	\$0.5850	\$0.5950	\$0.5900

ADVANCED BIOFUEL RIN CREDITS

	LOW	HIGH	AVG
2012	\$0.3300	\$0.3600	\$0.3450
2013	\$0.3600	\$0.3800	\$0.3700
2014	\$0.4100	\$0.5200	\$0.4650

CALIF. LOW CARBON FUEL STANDARD

	LOW	HIGH	AVG
Carbon Credit (\$/MT)	\$83.000	\$85.000	\$84.000
Carbon Intensity Pts (\$/CI)	\$0.0068	\$0.0069	\$0.0069

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Meekins, Tanya

From: David Marchick <David.Marchick@carlyle.com>
Sent: Tuesday, November 05, 2013 9:51 AM
To: McCabe, Janet; Minsk, Ron (b) (6)
Subject: FW: OPIS End of Day Ethanol Assessment Report

FYI - RINS popping up some.

-----Original Message-----

From: SCARGLE, THOMAS J [mailto:THOMAS.SCARGLE@pes-companies.com]
Sent: Tuesday, November 05, 2013 8:27 AM
To: David Marchick
Subject: FW: OPIS End of Day Ethanol Assessment Report

fyi

-----Original Message-----

From: opisethanol@opisnet.com [mailto:opisethanol@opisnet.com]
Sent: Monday, November 04, 2013 5:31 PM
To: OPIS Ethanol Updates
Subject: OPIS End of Day Ethanol Assessment Report

SPOT ETHANOL ASSESSMENT

	LOW	HIGH	AVG
Chicago	\$1.7000	\$1.7400	\$1.7200
Chicago Rule 11	\$1.7600	\$1.7800	\$1.7700
New York	\$2.0000	\$2.0350	\$2.0175
Gulf Coast	\$1.7900	\$1.8500	\$1.8200
Dallas	\$1.8600	\$1.9000	\$1.8800
Tampa	\$1.9500	\$2.0000	\$1.9750
Phoenix	\$1.9000	\$1.9500	\$1.9250
Nebraska	\$1.6900	\$1.7300	\$1.7100
Pac NW (1-5 days)	\$1.8600	\$1.9000	\$1.8800
S.F. (90.1 1-5 days)	\$1.9300	\$1.9500	\$1.9400
L.A. (90.1 1-5 days)	\$1.9300	\$1.9500	\$1.9400
L.A. (90.1 6-15 days)	\$1.8800	\$1.9200	\$1.9000

SPOT SME BIODIESEL ASSESSMENT

	LOW	HIGH	AVG
Chicago	\$4.0200	\$4.1500	\$4.0850
Gulf Coast	\$4.0300	\$4.1300	\$4.0800
New York	\$4.1500	\$4.2500	\$4.2000

ETHANOL RIN CREDITS

	LOW	HIGH	AVG
2012	\$0.2650	\$0.2750	\$0.2700
2013	\$0.2750	\$0.2900	\$0.2825
2014	\$0.2750	\$0.2950	\$0.2850

CELLULOSIC RIN CREDITS (EPA Waiver Calculation)

	LOW	HIGH	AVG
2012	\$0.7700	\$0.7900	\$0.7800
2013	\$0.4150	\$0.4250	\$0.4200

BIODIESEL RIN CREDITS

	LOW	HIGH	AVG
2012	\$0.3500	\$0.3700	\$0.3600
2013	\$0.3700	\$0.3900	\$0.3800
2014	\$0.5700	\$0.5850	\$0.5775

ADVANCED BIOFUEL RIN CREDITS

	LOW	HIGH	AVG
2012	\$0.2900	\$0.3200	\$0.3050
2013	\$0.3300	\$0.3600	\$0.3450
2014	\$0.3600	\$0.4500	\$0.4050

CALIF. LOW CARBON FUEL STANDARD

	LOW	HIGH	AVG
Carbon Credit (\$/MT)	\$83.000	\$87.000	\$85.000
Carbon Intensity Pts (\$/CI)	\$0.0068	\$0.0071	\$0.0070

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To: Minsk Ron (b) (6) McCabe, Janet[McCabe.Janet@epa.gov]
From: David Marchick
Sent: Wed 10/30/2013 10:56:11 AM
Subject: Fwd: OPIS End of Day Ethanol Assessment Report

FYI

Sent from my iPhone

Begin forwarded message:

From: "SCARGLE, THOMAS J" <THOMAS.SCARGLE@pcs-companies.com>
Date: October 30, 2013 at 6:39:11 AM EDT
To: David Marchick <David.Marchick@carlyle.com>
Subject: Fwd: OPIS End of Day Ethanol Assessment Report

Sorry I was out of pocket yesterday

Sent from my iPhone

Begin forwarded message:

From: <opisethanol@opisnet.com>
Date: October 29, 2013 at 5:33:58 PM EDT
To: OPIS Ethanol Updates <opisethanol@announce.opisnet.com>
Subject: OPIS End of Day Ethanol Assessment Report

SPOT ETHANOL ASSESSMENT

	LOW	HIGH	AVG
Chicago	\$1.8900	\$1.9600	\$1.9250
Chicago Rule 11	\$1.9600	\$1.9800	\$1.9700
New York	\$2.0100	\$2.0700	\$2.0400
Gulf Coast	\$1.9900	\$2.0500	\$2.0200
Dallas	\$2.0500	\$2.0800	\$2.0650
Tampa	\$2.1500	\$2.1800	\$2.1650
Phoenix	\$2.1000	\$2.1400	\$2.1200
Nebraska	\$1.8700	\$1.9100	\$1.8900
Pac NW (1-5 days)	\$2.0600	\$2.1000	\$2.0800
S.F. (90.1 1-5 days)	\$2.1000	\$2.1400	\$2.1200
L.A. (90.1 1-5 days)	\$2.1000	\$2.1400	\$2.1200
L.A. (90.1 6-15 days)	\$2.0700	\$2.1200	\$2.0950

SPOT SME BIODIESEL ASSESSMENT

	LOW	HIGH	AVG
Chicago	\$4.2100	\$4.3500	\$4.2800
Gulf Coast	\$4.0500	\$4.1500	\$4.1000
New York	\$4.1500	\$4.2500	\$4.2000

ETHANOL RIN CREDITS

	LOW	HIGH	AVG
2012	\$0.2000	\$0.2300	\$0.2150
2013	\$0.2100	\$0.2400	\$0.2250
2014	\$0.2150	\$0.2500	\$0.2325

CELLULOSIC RIN CREDITS (EPA Waiver Calculation)

	LOW	HIGH	AVG
2012	\$0.7700	\$0.7900	\$0.7800
2013	\$0.4150	\$0.4250	\$0.4200

BIODIESEL RIN CREDITS

	LOW	HIGH	AVG
2012	\$0.2700	\$0.3100	\$0.2900
2013	\$0.3100	\$0.3300	\$0.3200
2014	\$0.4500	\$0.5000	\$0.4750

ADVANCED BIOFUEL RIN CREDITS

	LOW	HIGH	AVG
2012	\$0.2400	\$0.2800	\$0.2600
2013	\$0.2900	\$0.3300	\$0.3100
2014	\$0.3100	\$0.4000	\$0.3550

CALIF. LOW CARBON FUEL STANDARD

	LOW	HIGH	AVG
Carbon Credit (\$/MT)	\$81.000	\$85.000	\$83.000
Carbon Intensity Pts (\$/CI)	\$0.0066	\$0.0069	\$0.0068

Note: Market commentary for the above spot assessments will follow this e-mail shortly. The assessment values shown above are final for the day.

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To: Howard Shelanski (b) (6); Zichal Heather
(b) (6); Utech Dan
(b) (6); Whiteman, Chad (b) (6)
James H. Stock (b) (6); McCarthy,
Gina[McCarthy.Gina@epa.gov]; McCabe, Janet[McCabe.Janet@epa.gov]; Grundler,
Christopher[grundler.christopher@epa.gov]; Simon, Karl[Simon.Karl@epa.gov]; Argyropoulos,
Paul[Argyropoulos.Paul@epa.gov]; Beauvais, Joel[Beauvais.Joel@epa.gov];
perciasepe.bob@epa.gov[perciasepe.bob@epa.gov]; KeyesFleming,
Gwen[KeyesFleming.Gwendolyn@epa.gov]; Bittleman, Sarah[Bittleman.Sarah@epa.gov]; Anne Cannon
MacMillan (anne.macmillan@osec.usda.gov)[anne.macmillan@osec.usda.gov]; Krysta Harden
(krysta.harden@usda.gov)[krysta.harden@usda.gov]; Joseph W. Glauber
(Jglauber@oce.usda.gov)[Jglauber@oce.usda.gov]; Robert Johansson
(Rjohansson@oce.usda.gov)[Rjohansson@oce.usda.gov];
hbaumes@oce.usda.gov[hbaumes@oce.usda.gov]; Jim Duffield
(jduffield@oce.usda.gov)[jduffield@oce.usda.gov]
Cc: Anne Steckel[asteckel@biodiesel.org]; Larry Schafer[lschafer@biodiesel.org]
From: Larry Schafer
Sent: Tue 10/29/2013 4:13:22 PM
Subject: Biodiesel and the 2014 RVO
WSJUSRefinersExport10_8.docx

Dear OMB, EPA and USDA:

We appreciated the opportunity to meet with both OMB and USDA on Friday.

As you know, on October 9th during the "Government Shutdown" a leaked EPA proposal on the RFS program proposed to limit the "Biomass-based Diesel" program to 1.28 billion gallons for both 2014 and 2015, and the "Advanced Program" to 2.21 billion gallons.

In 2013, the biodiesel industry will produce more than 1.7 billion gallons, which will equal more than 2.55 billion RIN gallons of Advanced Biofuels.

For the past three months the biodiesel industry has produced the following: (170mg July, 180mg August, 167mg September) for an average of 172 mg for the last three months. At that rate we are producing 2.068 BG per year == which equates to 3.102 billion RIN gallons of Advanced Biofuels.

Clearly we think setting an RVO for the Biomass-based Diesel category at 1.28 billion gallons will devastate nearly half of our industry.

We have developed an alternative proposal that will accomplish nearly all of the objectives of leaked proposal and we urge you to allow us as a stakeholder to comment on this approach as well. In fact, we would suggest that no industry will be harmed if you include the following as a serious alternative proposal and allow all stakeholders to comment accordingly.

Alternative Proposal:

1. Set the RVO for 2014 for Biomass-based Diesel Program at at least 1.7 billion gallons (current production).
2. Set the Advanced Biofuels RVO for 2014 at 3.75 billion gallons (at current run rates we will fill

most of the Advanced Pool).

3. 2015 - Do "Not" Propose a Biomass-based Diesel volume number for 2015 at this time.

The impacts of this alternative proposal are as follows:

The negative marketplace impacts of allowing at least 1.7 billion gallons of biodiesel to be used as the RVO number for 2014 are zero – no harm is done (not to petroleum companies or consumers).

1. Dozens of Biodiesel Producers will be allowed to stay in Business
2. 7700 Jobs are Saved
3. Consumers continue to benefit from lower diesel prices because it has been blended with biodiesel – (estimated by discretionary blenders at 5 cents per gallon – which could equal up to \$21 million).
4. No Negative Impact on the Economy – Truck drivers and Consumers will continue to save money at the pump!
5. Petroleum Companies have no net negatives as the domestic diesel pool continues to grow – even at 1.7 billion gallons more petroleum diesel fuel will be used in the United States than in 2013 (rather than shrinking like the gasoline pool).
6. Petroleum refiners will not reduce diesel production at refineries – rather refiners will run at full capacity and excess diesel fuel will continue to be exported (see attached WSJ article)
7. No Negative Impact on the Environment (Greenhouse Gas Emissions) - biodiesel reduces greenhouse gas emissions by a lot when compared to petroleum diesel ...
8. Ethanol Blend Wall Issues are not negatively impacted
9. Ethanol RIN Prices are not negatively impacted

Discussion of Cost of Biodiesel vs. the Cost of Diesel Fuel

- **Quantifiable Benefits or Savings when biodiesel production remains at 1.7 billion gallons – in other words, the following will be lost if biodiesel production is reduced to 1.28 billion gallons.**

1. Jobs will be lost = 7,700
2. Energy Security will Decrease = \$61.4 million
3. OMB Social Cost of Carbon = \$136 million (carbon cost benefit)
4. Greenhouse Gas Emissions Reduction = 8 billion pounds
5. House Hold Income/Wages will be decrease = \$333,000,000
6. Economic Impact will decrease = \$4,550,000,000

At 1.7 billion gallons of biodiesel – U.S. Petroleum Diesel Production will continue to run at Maximum Capacity

- *Wall Street Journal: U.S. Refiners Export More Fuel Than Ever*

American Companies Export Energy Boom World-Wide

By Ben Lefebvre
October 8, 2013

Article: Biofuels Digest: EPA proposes slashed market for America's cleanest fuel as observers ask "why?"

Jim Lane | October 15, 2013

The Future of Biodiesel

We would like to open the door to a discussion about the future of biodiesel. The leaked proposal sends a strong message to our industry that we will forever be a 1.28 billion gallon industry. It is difficult for us to believe that that is the future that EPA, this Administration and our Industry has been working towards. 1.28 billion gallons is 2% of the diesel pool. The diesel pool is growing.

We would like to set this leaked document aside for a few minutes and have a serious discussion with your biofuels team about the future of our industry. We cannot grow without your leadership and guidance and we don't know what the plan is for the future.

Although we still consider the issues of the day urgent. We would agree to put advocacy aside for a necessary discussion with your team about a future strategy for biodiesel.

Anne and Larry

National Biodiesel Board
O: 202.737.8801
M: 202.997.8072
LSchafer@Biodiesel.org

Biodiesel – America's Advanced Biofuel!
www.americasadvancedbiofuel.com

1331 Pennsylvania Ave. NW
Suite 505
Washington DC 20004

THE WALL STREET JOURNAL BUSINESS

Wall Street Journal: U.S. Refiners Export More Fuel Than Ever

American Companies Export Energy Boom World-Wide

By Ben Lefebvre

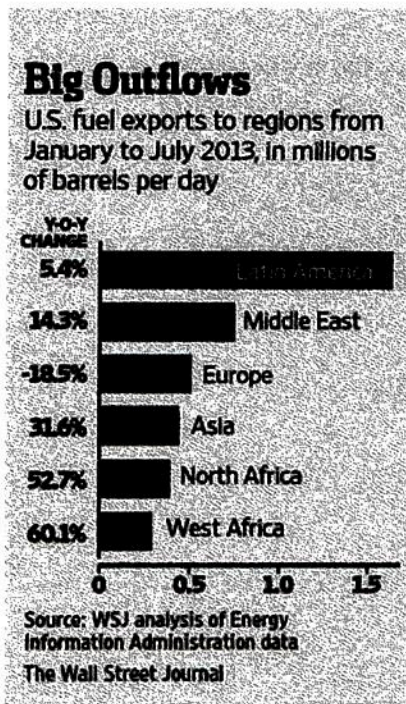
October 8, 2013

U.S. refiners are selling more fuel abroad than ever before, effectively exporting the American energy boom to the four corners of the world.

As crude production soars in places like the Eagle Ford shale formation in Texas, U.S. refiners along the Gulf Coast are increasingly using local oil, which is less expensive than the North Sea crude that European refiners use. That often means diesel and other fuels made in the U.S. are a bargain abroad even after adding the shipping costs.

While federal law bars overseas shipments of most U.S.-produced oil, refiners can export petroleum products created from that crude, including gasoline, diesel and jet fuel.

In July, U.S. refiners shipped a record 3.8 million barrels of products a day to places as far flung as Africa and the Middle East, according to the latest monthly data from the Energy Information Administration. That volume is nearly 65% above the 2010 export level, when the U.S. oil boom was still in its infancy.



"The bottom line is U.S. refiners are pushing product everywhere," said Francisco Blanch, head of global commodity research at Bank of America Merrill Lynch. "They can. They have a lot to sell."

That's in part because drivers in the U.S. are buying less gasoline, largely thanks to more energy-efficient automobiles and even though the price of gasoline has fallen over the past year to about \$3.35 a gallon, according to AAA, down from \$3.82 a year ago.

"It's a happy confluence of events that our demand has dropped off just as crude oil supplies and demand for products has grown elsewhere," said Ed Hirs, an energy economist at the University of Houston.

Exports to Asia have grown by a third this year, with greater demand coming not just from Japan—a traditional buyer of U.S. fuel—but also from China and India, which have been building up their own refining industries.

Latin America's voracious appetite for U.S. fuel comes from countries like Brazil and Venezuela, which have aging energy infrastructures that can't keep up with demand. Fuel flows to that region rose 5% this year between

January and July to more than 1.6 million barrels a day.

[REDACTED]

New markets have cropped up for U.S. fuel, including West Africa—primarily Nigeria—where fuel imports from the U.S. surged 60% in the first half. North African countries along the Mediterranean have imported 52% more U.S. fuel this year.

These areas have traditionally been served by European refiners, but they have been struggling with high crude costs, outdated equipment and economic malaise at home. U.S. fuel exports to Europe doubled between 2007 and 2012 as at least 15 inefficient refineries on the continent closed. But demand in Europe is so lackluster that U.S. fuel moving across the Atlantic in 2013 has slumped nearly 19%, to just over 500,000 barrels a day.

Despite the recent drop, American refiners continue to steal their European counterparts' market shares, not just in the Mediterranean and Africa but also in the big cities on the U.S. East Coast. European refiners, which have been sending gasoline there since the 1980s, have suffered a 22.5% drop this year.

The Colonial Pipeline system, a 5,500-mile network of underground pipes that stretches from Texas to New York Harbor, recently added 160,000 barrels of capacity, bringing traffic to more than 2.4 million barrels a day and further dampening the need for European fuel.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Some European companies have pushed back. Total S.A. closed its Rome refinery last year, and its sales in Europe fell 5% in this year's first half. But it is spending more than \$1 billion to revamp a plant in Antwerp, Belgium, to increase diesel production.

[REDACTED]

[REDACTED]

[REDACTED]

<http://online.wsj.com/news/articles/SB10001424052702304441404579123604287854862>

To: Minsk, Ron (b) (6) Deputy
Administrator[62Perciasepe.Bob73@epa.gov]; McCabe, Janet[McCabe.Janet@epa.gov]
From: David Marchick
Sent: Mon 10/28/2013 4:07:30 PM
Subject: FW: RINS

FYI

On Oct 28, 2013, at 11:03 AM, "SCARGLE, THOMAS J" <THOMAS.SCARGLE@pes-companies.com> wrote:

E13 RINS traded 18 for Q4 transfer today.

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To: (b) (6) Whiteman,
Chad (b) (6)
Janet[McCabe.Janet@epa.gov]
From: David Marchick
Sent: Thur 10/24/2013 9:49:13 PM
Subject: FYI

FACTBOX-US refiners face a \$2 bln ethanol credit bill in 2013
TD Waterhouse - Markets & Research | 10/24/13 14:42

FACTBOX-US refiners face a \$2 bln ethanol credit bill in 2013 *1 hour ago* by Thomson Reuters

(Adds details on Delta Airlines)

NEW YORK, Oct 24 - Many refiners in the U.S have been hit by sharply rising costs of ethanol

credits, which are required as part of the country's renewable fuels policy.

Refineries have to either blend ethanol into fuel - for which they gain a credit called a Renewable Identification Number (RIN) - or they have to buy the RIN to cover their obligations

in a market that is seen as opaque and volatile.

The industry says as the amount of ethanol it must blend rises beyond what it says is safe,

its purchases of RINs increase to meet Renewable Volume Obligations (RVO). As RIN prices spike,

so does their spending on the credit.

In the latest comments, Philadelphia Energy Solutions' chief executive said his 350,000

barrel-per-day (bpd) Pennsylvania refinery is facing costs of \$200 million-\$250 million annually.

A spokeswoman for European oil major Total told Reuters the company faces a bill of \$100 million for RINs in 2013 from its 174,000 bpd Port Arthur, Texas refinery.

Below are the costs of companies buying RINs quarterly and estimates for the full year spending.

	US Capacity	Q1 2013	Q2 2013	Q3 2013	2013 (e)	2012
Company	(bpd)	(mln)	(mln)	(mln)	(mln)	(mln)
Valero	1,863,300	\$129	\$125	--	\$600-800	\$250
Marathon Petroleum	1,248,000	\$45	\$60	--	--	--
Tesoro Corp	673,800	--	--	--	\$100 -	--
PBF Energy	502,200	\$32	\$37	--	\$200+	--
HollyFrontier Corp	470,350	--	--	--	\$125-150	--
Philadelphia Energy Solutions	350,00	--	--	--	\$200-\$250	--
LyondellBasell	268,000	\$25	\$47	--	\$200	\$30
Alon Energy Inc	231,500	--	\$8	--	\$20	--
CVR Refining	185,000	--	\$65.5	--	\$200-240	--
Delta AirLines Inc	185,000	--	\$50	\$16	--	--
Delek US	143,000	--	\$2.5	--	--	--
Calumet	140,621	--	\$15	--	\$65-75	--
Total	174,000	--	--	--	\$100	--
Total	6,260,771	\$231	\$410	\$16	\$2,135	\$280

Source: Company spokespeople, earnings reports, conference calls and 10-Q filings.

OTHER REFINERY OPERATORS

- Exxon Mobil, with a capacity to refine 1.86 million barrels per day, said RINs did

not have any material impact on its quarterly result as it blends biofuels, generating the credits.

- Phillips 66, with total capacity of 1.59 million bpd, said rising RIN prices had cut into its refining margins in the second quarter. It said, however, it generates some RINs

through its blending operations and would consider increasing its blending operations, although

that would take time.

- BP said it is quite well positioned in the RINs market in the short term and will be neutral in a couple of years. BP, with total capacity of 1.34 million bpd, shed two U.S. refineries, cutting its RVOs, while its ethanol blending activities at its U.S. terminals generate RINs.

- Delta Air Lines said its 185,000 bpd Trainer, Pennsylvania, refinery produced a \$3 million profit during the third quarter of 2013, versus a \$51 million loss during the second quarter that was "driven by the recent market volatility for RINs." The airline said it is pursuing "legal, regulatory and legislative solutions" to the shortage of RINs, which it said is

caused by holders of RINs "withholding them from the secondary market," according to a filing

with the U.S. Securities and Exchange Commission.

- Husky Energy said it blends about 60-70 percent of its products and noted its exposure to RINs does not correlate exactly to the 40-30 percent that it does not blend. "We

also have proactive RINs buying program. We will see probably bigger impact from RINs towards

the end of this year into next year rather than this year."

- Western Refining, which operates two refineries at total 143,600 bpd capacity, said 85 percent of its RINs obligation is covered due to its wholesale and retail gasoline business, which generates RINs by blending ethanol into fuel.

(Reporting by Sabina Zawadzki and Cezary Podkul; Editing by Bob Burgdorfer and Chizu Nomiya)

David Marchick
Managing Director
The Carlyle Group
1001 Pennsylvania Avenue
Washington, DC 20004
202-729-5903 (phone and fax)

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To: McCabe, Janet[McCabe.Janet@epa.gov]
From: Anne Steckel
Sent: Thur 10/24/2013 2:18:56 PM
Subject: RE: Meeting request from the National Biodiesel Board

Thanks Janet, I appreciate the email. Best number to reach me on is my cell (b) (6)

Thanks

Anne

From: McCabe, Janet [mailto:McCabe.Janet@epa.gov]
Sent: Thursday, October 24, 2013 12:10 AM
To: Anne Steckel
Subject: Re: Meeting request from the National Biodiesel Board

Anne--so sorry not to have gotten back to you myself, though I think Chris or Karl might have been in touch? I will try to give you a call tomorrow--my calendar has just been jam packed since we've been back--towards the end of the day is likely to be better.

From: Anne Steckel <asteckel@biodiesel.org>
Sent: Wednesday, October 23, 2013 11:52:26 AM
To: McCabe, Janet
Cc: Beauvais, Joel; Atkinson.email@epa.gov
Subject: RE: Meeting request from the National Biodiesel Board

Ms. McCabe,

Trying to circle back to see if you have a few minutes this week to meet.

Thank you in advance.

Anne

Anne Steckel

Vice President, Federal Affairs

National Biodiesel Board

1331 Pennsylvania Ave. NW #505

Washington, DC 20004

O: 202.737.8801

C: (b) (6)

From: Anne Steckel

Sent: Tuesday, October 15, 2013 3:47 PM

To: 'mccabe.janet@epa.gov'

Cc: 'Beauvais.joel@epa.gov'; 'Atkinson.emaily@epa.gov'

Subject: Meeting request from the National Biodiesel Board

Ms. McCabe,

We hope you are well.

The National Biodiesel Board would like to meet with you to discuss the RFS and the 2014 volumes. Do you have any time the week of October 21st?

The purpose is to help you gain better insights into the biodiesel industry and discuss the importance of 2014 volumes.

We would appreciate the opportunity to meet with you.

Thank you,

Anne

Anne Steckel

Vice President, Federal Affairs

National Biodiesel Board

1331 Pennsylvania Ave. NW #505

Washington, DC 20004

O: 202.737.8801

C: (b) (6)

Meekins, Tanya

From: David Marchick <David.Marchick@carlyle.com>
Sent: Thursday, October 24, 2013 9:48 AM
To: Minsk, Ron (b) (6) McCabe, Janet
Subject: FW: OPIS End of Day Ethanol Assessment Report

FYI

-----Original Message-----

From: SCARGLE, THOMAS J [mailto:THOMAS.SCARGLE@pes-companies.com]
Sent: Thursday, October 24, 2013 9:44 AM
To: David Marchick; MCSHANE, JOHN B; RINALDI, PHILIP L
Subject: FW: OPIS End of Day Ethanol Assessment Report

Last night's report. Today E13 RINS are trading at 26.

-----Original Message-----

From: opisethanol@opisnet.com [mailto:opisethanol@opisnet.com]
Sent: Wednesday, October 23, 2013 5:34 PM
To: OPIS Ethanol Updates
Subject: OPIS End of Day Ethanol Assessment Report

SPOT ETHANOL ASSESSMENT

	LOW	HIGH	AVG
Chicago	\$1.9600	\$2.0300	\$1.9950
Chicago Rule 11	\$2.0200	\$2.0400	\$2.0300
New York	\$2.1200	\$2.1800	\$2.1500
Gulf Coast	\$2.0800	\$2.1100	\$2.0950
Dallas	\$2.1600	\$2.1900	\$2.1750
Tampa	\$2.2500	\$2.3000	\$2.2750
Phoenix	\$2.2300	\$2.2400	\$2.2350
Nebraska	\$1.9700	\$2.0100	\$1.9900
Pac NW (1-5 days)	\$2.1800	\$2.2200	\$2.2000
S.F. (90.1 1-5 days)	\$2.2400	\$2.2700	\$2.2550
L.A. (90.1 1-5 days)	\$2.2400	\$2.2700	\$2.2550
L.A. (90.1 6-15 days)	\$2.2000	\$2.2500	\$2.2250

SPOT SME BIODIESEL ASSESSMENT

	LOW	HIGH	AVG
Chicago	\$4.4500	\$4.5800	\$4.5150
Gulf Coast	\$4.3000	\$4.4000	\$4.3500
New York	\$4.3000	\$4.4000	\$4.3500

ETHANOL RIN CREDITS

	LOW	HIGH	AVG
2012	\$0.2600	\$0.2900	\$0.2750
2013	\$0.2700	\$0.3000	\$0.2850
2014	\$0.2750	\$0.3000	\$0.2875

ED. 000313. 0365. 00000067

CELLULOSIC RIN CREDITS (EPA Waiver Calculation)

	LOW	HIGH	AVG
2012	\$0.7700	\$0.7900	\$0.7800
2013	\$0.4150	\$0.4250	\$0.4200

BIODIESEL RIN CREDITS

	LOW	HIGH	AVG
2012	\$0.4200	\$0.4700	\$0.4450
2013	\$0.4700	\$0.5100	\$0.4900
2014	\$0.5700	\$0.6100	\$0.5900

ADVANCED BIOFUEL RIN CREDITS

	LOW	HIGH	AVG
2012	\$0.3700	\$0.4400	\$0.4050
2013	\$0.4200	\$0.4600	\$0.4400
2014	\$0.4500	\$0.5400	\$0.4950

CALIF. LOW CARBON FUEL STANDARD

	LOW	HIGH	AVG
Carbon Credit (\$/MT)	\$83.000	\$87.000	\$85.000
Carbon Intensity Pts (\$/CI)	\$0.0068	\$0.0071	\$0.0070

Note: Market commentary for the above spot assessments will follow this e-mail shortly. The assessment values shown above are final for the day.

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To: Minsk Ron (b) (6) McCabe, Janet[McCabe.Janet@epa.gov]
From: David Marchick
Sent: Mon 10/21/2013 9:50:57 PM
Subject: Fwd: OPIS End of Day Ethanol Assessment Report

FYI

Sent from my iPhone

Begin forwarded message:

From: "SCARGLE, THOMAS J" <THOMAS.SCARGLE@pes-companies.com>
Date: October 21, 2013 at 5:48:19 PM EDT
To: David Marchick <David.Marchick@carlyle.com>, "MCSHANE, JOHN B" <JOHN.MCSHANE@pes-companies.com>
Subject: Fwd: OPIS End of Day Ethanol Assessment Report

FYI

Sent from my iPhone

Begin forwarded message:

From: <opisethanol@opisnet.com>
Date: October 21, 2013 at 5:32:47 PM EDT
To: OPIS Ethanol Updates <opisethanol@announce.opisnet.com>
Subject: OPIS End of Day Ethanol Assessment Report

SPOT ETHANOL ASSESSMENT		
	LOW	HIGH AVG
Chicago	\$2.0000-\$2.0800	\$2.0400
Chicago Rule 11	\$2.0600-\$2.0900	\$2.0750
New York	\$2.1600-\$2.1750	\$2.1675
Gulf Coast	\$2.1300-\$2.1700	\$2.1500
Dallas	\$2.2200-\$2.2600	\$2.2400
Tampa	\$2.3200-\$2.3700	\$2.3450
Phoenix	\$2.3000-\$2.3400	\$2.3200
Nebraska	\$2.0500-\$2.0800	\$2.0650
Pac NW (1-5 days)	\$2.2800-\$2.3300	\$2.3050
S.F. (90.1 1-5 days)	\$2.3100-\$2.3400	\$2.3250
L.A. (90.1 1-5 days)	\$2.3100-\$2.3400	\$2.3250
L.A. (90.1 6-15 days)	\$2.2800-\$2.3100	\$2.2950

SPOT SME BIODIESEL ASSESSMENT

	LOW	HIGH	AVG
Chicago	\$4.5600	\$4.7000	\$4.6300
Gulf Coast	\$4.4500	\$4.5500	\$4.5000
New York	\$4.4500	\$4.5500	\$4.5000

ETHANOL RIN CREDITS

	LOW	HIGH	AVG
2012	\$0.2850	\$0.3150	\$0.3000
2013	\$0.2950	\$0.3200	\$0.3075
2014	\$0.3050	\$0.3150	\$0.3100

CELLULOSIC RIN CREDITS (EPA Waiver Calculation)

	LOW	HIGH	AVG
2012	\$0.7700	\$0.7900	\$0.7800
2013	\$0.4150	\$0.4250	\$0.4200

BIODIESEL RIN CREDITS

	LOW	HIGH	AVG
2012	\$0.4500	\$0.5200	\$0.4850
2013	\$0.5100	\$0.5400	\$0.5250
2014	\$0.5600	\$0.6700	\$0.6150

ADVANCED BIOFUEL RIN CREDITS

	LOW	HIGH	AVG
2012	\$0.3800	\$0.4400	\$0.4100
2013	\$0.4200	\$0.4600	\$0.4400
2014	\$0.4500	\$0.5600	\$0.5050

CALIF. LOW CARBON FUEL STANDARD

	LOW	HIGH	AVG
Carbon Credit (\$/MT)	\$82.000	\$85.000	\$83.500
Carbon Intensity Pts (\$/CI)	\$0.0067	\$0.0069	\$0.0068

Note: Market commentary for the above spot assessments will follow this e-mail shortly. The assessment values shown above are final for the day.

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To: Minsk, Ron (b) (6); McCabe, Janet [McCabe.Janet@epa.gov]; Deputy Administrator [62Perciasepe.Bob73@epa.gov]
From: David Marchick
Sent: Thur 10/3/2013 3:34:55 PM
Subject: FW: ***RINs' Values Hit Multi-Month Lows on Murmurs, Speculation from Washington

FYI

-----Original Message-----

From: SCARGLE, THOMAS J [mailto:THOMAS.SCARGLE@pes-companies.com]
Sent: Thursday, October 03, 2013 11:08 AM
To: David Marchick; MCSHANE, JOHN B; RINALDI, PHILIP L
Subject: FW: ***RINs' Values Hit Multi-Month Lows on Murmurs, Speculation from Washington

FYI.

-----Original Message-----

From: opisalerts@opisnet.com [mailto:opisalerts@opisnet.com]
Sent: Thursday, October 03, 2013 10:55 AM
To: OPIS Price Watch Alert
Subject: ***RINs' Values Hit Multi-Month Lows on Murmurs, Speculation from Washington

2013-10-03 10:55:14 EDT

***RINs' Values Hit Multi-Month Lows on Murmurs, Speculation from Washington

Prices for 2013 D6 ethanol RINs have moved to multi-month lows this morning, with some sellers liquidating their holdings on fears that EPA could cut some blending thresholds.

Various scenarios heard among refiners and their "well-connected" advisors in Washington talk about a number of possible scenarios. One consultancy has reportedly suggested that the 2014 requirement for corn ethanol blending might be reduced by 1-billion gallons. But other scenarios talk of no change in the ethanol blending, a slight increase in advanced bio requirements and an overall reduction in the total RFS requirement. In any case, there is no certainty about pending government action, so the market is moving on noise rather than a clear signal.

OPIS did confirm transactions for 2013 D6 RINs at 36.5cts, 37cts and 38.5cts this morning in a busier-than-usual trade. October began with a plunge in these numbers to below 40cts, but Tuesday and Wednesday trading saw numbers recover to as much as 42-44cts.

- Tom Kloza, tkloza@opisnet.com

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To: Deputy Administrator[62Perciasepe.Bob73@epa.gov]; Ron
Minsk (b) (6) McCabe, Janet[McCabe.Janet@epa.gov]
From: David Marchick
Sent: Wed 9/18/2013 2:12:11 AM
Subject: RINS closed at \$.49 today

Presumably market reaction to NYT article. Apparently traders think that the article was so troubling that policy makers have to act, therefore those that have bought and/or are holding RINS decided to sell. We'll see if prices continue to go down.

Hope you are well and will keep you updated.

Dave

Sent from my iPad

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To: Deputy Administrator[62Perciasepe.Bob73@epa.gov]; McCabe,
Janet[McCabe.Janet@epa.gov]; (b) (6)
From: David Marchick
Sent: Tue 9/17/2013 1:14:21 AM
Subject: RINs

The price dropped today into the high/mid-50s, presumably because of the NYT article. Presumably the market interpreted the article as increasing the likelihood of some type of relief from either the EPA or Congress.

In my view, the importance of the article - even with many inaccuracy - points to something we have discussed in the past - the need to create a "cushion" below the blend wall so that traders can't hoard RINS in order to create scarcity and force the price up.

Dave

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To: Deputy Administrator [REDACTED] 62Perciasepe.Bob73@epa.gov; Ron
Minsk [REDACTED] (b) (6); McCabe, Janet [McCabe.Janet@epa.gov]; Gene
Sperling [REDACTED] (b) (6)
From: David Marchick
Sent: Sun 9/15/2013 10:22:44 AM
Subject: RINS in NYT today

Wall St. Exploits Ethanol Credits, and Prices Spike

By GRETCHEN MORGENSON and ROBERT GEBELOFF

It was supposed to help clean the air, reduce dependence on foreign oil and bolster agriculture. But a little known market in ethanol credits has also become a hot new game on Wall Street.

The federal government created the market in special credits tied to ethanol eight years ago when it required refiners to mix ethanol into gasoline or buy credits from companies that do so. The idea was to push refiners to use the cleaner, renewable fuel, or force them to buy the credits.

A few worried that Wall Street would set out to exploit this young market, fears the government dismissed. But many people believe that is what happened this year when the price of the ethanol credits skyrocketed 20-fold in just six months, according to an analysis of regulatory documents and interviews with more than 40 people involved in the market, including industry executives, brokers, traders and analysts.

Traders for big banks and other financial institutions, these people say, amassed millions of the credits just as refiners were looking to buy more of them to meet an expanding federal requirement. Industry executives familiar with JPMorgan Chase's activities, for example, told The Times that the bank offered to sell them hundreds of millions of the credits earlier this summer. When asked how the bank had amassed such a stake, the executives said they were told by the bank that it had stockpiled the credits.

A spokesman for JPMorgan, when asked about the exchange with the executives, disputed the account, saying the bank does not trade ethanol credits for a profit in the way it trades other securities, but is registered to deal in credits through its energy business. From time to time, the spokesman, Brian J. Marchiony, said in a statement that the bank also purchased credits "on behalf of clients who need to fulfill their E.P.A.-mandated obligations," though it had not done so in the past year.

But other market participants, including Thomas D. O'Malley, chairman of PBF Energy in Parsippany, N.J., identified JPMorgan Chase and other financial institutions as being active sellers of the credits this year. He said the institutions had helped transform an environmental program into a profit machine, contributing to the market frenzy this year. "These things were designed to monitor the inclusion of ethanol in the gasoline pool," Mr. O'Malley said. "They weren't designed to become a speculative item. For the life of me I can't see the justification for it."

While banks are by no means the largest player in ethanol credits, Wall Street's activity in this

market reflects a larger effort by financial institutions to exert their influence over loosely regulated markets for basic commodities, from aluminum to oil. The opacity of the ethanol credit market makes it difficult to determine the extent to which large financial actors have profited.

The banks say they have far less influence in the market than others are suggesting, and are doing nothing wrong. But the activities, while legal, could have consequences for consumers. In the end, energy analysts say, the outcome will be felt at the gas pump — as the higher cost of the ethanol credits gets tacked onto the price of a gallon of gasoline. (The credits, which cost 7 cents each in January, peaked at \$1.43 in July, and now are trading for 60 cents.)

The Valero Energy Corporation, a refiner that owns thousands of gas stations, says the squeeze in ethanol credits might cost it \$800 million. PBF Energy, also a refiner, puts its bill at about \$200 million. A review by The Times of a federal registry of nearly 1,500 businesses and individuals in the renewable fuel market found big Wall Street banks as well as a handful of people with troubled legal histories among the participants. Several high-profile cases of fraud have emerged.

Scott Mixon, the acting chief economist of the Commodity Futures Trading Commission, said in an interview Friday that the issue of banks' involvement in this market was something the agency was tracking and might look into more deeply because of the ethanol component. The commission regulates the commodities futures market, including trading in ethanol and gasoline.

Though the ethanol credits are traded by many major investment houses, they were created not on Wall Street but in Washington, on Capitol Hill and at the Environmental Protection Agency. At its inception, the so-called Renewable Fuel Standard was promoted as a means to reduce the nation's reliance on foreign oil, fight global warming and provide a boost to farmers. The rules call for a set amount of ethanol, most of which is made from corn, and other renewable fuels to be blended with fossil fuels each year, with quotas assigned to individual refiners and importers.

Every time they mix ethanol into gas, or import fuel already blended with ethanol, energy companies get a credit from the government, and that credit can be sold to other companies that don't blend ethanol to help them meet federal requirements. If refiners fall short of their obligation, they can face fines of \$32,500 a day. To monitor compliance, each gallon of ethanol is assigned a 38-digit Renewable Identification Number, or RIN. Six billion of them were generated in the first six months of this year.

The E.P.A. makes sure participants comply with the fuel standard. But rules that apply to almost every other market — on transparency, disclosure and position limits, for example — are not imposed on the trade of RINs, making Wall Street's role harder to gauge.

If Wall Street traders take a 5 percent stake in a public company's stock, for instance, they are required by law to flag that they have acquired a sizable stake in a filing with the Securities and Exchange Commission. There is no such obligation for traders buying RINs.

Like JPMorgan, other big banks downplay their involvement, contending that they are in the market primarily because their firms, through subsidiaries and other arrangements, have

ownership interests in gasoline and other energy production and therefore are required to participate in the federal renewable fuels program.

Until 1999, regulations barred banks from owning nonfinancial companies like commodities operations. This was meant to keep banks from self-dealing or pursuing monopolistic practices in their financial operations that could benefit their nonfinancial affiliates. Separating these operations, regulators believed, would also protect a bank's core lending and deposit-taking businesses from risky trading by nonfinancial units. Those restrictions fell by the wayside with the passage of the Gramm-Leach-Bliley Act, which struck down Depression-era banking laws. Now, however, the Federal Reserve is reviewing commodities ownership by banks.

In the case of JPMorgan, the industry executives familiar with its activities in the RINs market said they were told by a top banker in its commodities operation about the stockpiling. The executives said the banker maintained that one of JPMorgan's traders had urged the bank to buy up every available credit. The executives spoke on the condition of anonymity for fear of harming business relationships.

Through a spokesman, the banker denied that the conversation took place. Mr. Marchiony, the JPMorgan spokesman, characterized the report as a misunderstanding. He denied the bank had stockpiled the credits. He added that the bank mainly dealt in RINs as a byproduct of its joint venture with a refiner in Philadelphia. "The fact of the matter is, we simply don't trade RINs, nor do we carry an inventory other than a marginal amount for compliance purposes," the statement said.

Morgan Stanley also generates RINs through TransMontaigne, a subsidiary with 21 blending facilities, and it trades the credits via the Morgan Stanley Capital Group. According to regulatory filings, TransMontaigne's biggest customer for its energy products is the commodities unit of the Morgan Stanley Capital Group, a trading operation that runs out of the former Texaco headquarters in Purchase, N.Y.

Mark Lake, a spokesman for Morgan Stanley, said that the firm had not benefited from the increase in RIN prices in 2013. "The firm's obligation to purchase RINs as part of our importing and blending of gasoline exceeded the RINs we have received from our wholesale business," he said.

Mr. Lake declined to discuss Morgan Stanley's holdings of RINs or to say whether the bank's traders used market information received from TransMontaigne.

Trading on information gleaned from a subsidiary like TransMontaigne would be illegal in the stock market, but there are no rules against it in commodities. (Morgan Stanley also holds a stake Heidmar Holdings, of Norwalk, Conn., which owns a fleet of oil tankers.)

Saule T. Omarova, an associate professor of law at the University of North Carolina at Chapel Hill, said Morgan Stanley's overlapping activities illustrate how large financial institutions have become deeply entwined in every aspect of the commodities markets.

"In the trading chain between the oil well and the gas station," Ms. Omarova said, "Morgan Stanley is clearly accumulating as many stakes along the way as possible because that is what gives them the most flexibility of control."

Seizing an Opportunity

The market in ethanol credits is exactly the kind Wall Street loves: opaque, lightly regulated and potentially very lucrative.

Officials at the E.P.A., which oversees the market, say they have seen no evidence of improper trading, like hoarding, in the market. But they do not police the RIN market as a financial regulator would.

"If there were any evidence now or in the future that that was happening, we have the ability to amend the regulation to constrain that," said Christopher Grundler, director of E.P.A.'s office of transportation and air quality, which oversees the renewable fuels program.

It is difficult for outside groups, or even other regulators and law enforcement agencies, to keep tabs on the market, because the E.P.A. declines to disclose who actively trades the credits, or how much they trade, citing the confidentiality of refiners and other participants.

Trading is a private affair, usually conducted by phone, and just about anyone can participate. In creating the market, the E.P.A. says it did not limit the market for RINs to refiners and other energy companies because it wanted to encourage a free market.

Price movements on other commodities futures are limited by the exchanges on which they trade as a check on speculation. But the biofuel credits are not traded on an exchange: their prices are unbridled. And, unlike in the broader financial industry, no formal qualification or license is required before a broker can start trading.

"There is a RINs trading desk at any major brokerage now," said Paul Niznik, bio-fuels manager for Hart Energy, based in Houston. "There are people who are not refiners that are buying and selling RINs like a commodity. They treat it like something to be traded, to be day-traded."

The RINs story began in 2005, when the Bush administration joined Democrats in Congress to pass an energy bill mandating renewable fuel standards. That law was broadened in 2007 to establish requirements for the amount of biofuel to be blended into gasoline annually through 2022. This year, refiners and importers are required to blend 13.8 billion gallons of ethanol, up from 13.2 billion last year. For 2014, the figure is 14.4 billion.

But the estimates Congress used about how much gas Americans would keep buying were wrong. When the biofuel credits were created, gasoline consumption was projected to grow 6 percent by 2013. But thanks in large part to the recession and more fuel-efficient cars, consumption has actually fallen.

As a result, refiners this year began hitting what is known as "the blend wall," meaning that the

amount of ethanol the government is requiring them to use is close to the maximum amount that can be blended into gasoline without creating problems for gas stations and motorists.

Distributing gasoline with greater levels of ethanol is more costly and corrodes gas station pumps and tanks. Raising the ethanol level in gasoline, therefore, would require gas stations across America to install new systems. Therefore, refiners have turned to RINs to meet their government obligations rather than blend more ethanol into gasoline.

Some say financial players saw it coming, and jumped into the market.

“When you see something change as rapidly as this, somebody’s hoarding them, somebody’s buying them, somebody’s making big bucks,” said Senator Thomas A. Coburn, Republican of Oklahoma, a big oil state. After his staff examined the run-up in prices this summer, he said he was concerned that “big moneyed interests” were gaming the credits.

For now, companies like Valero say that they are eating the cost of high RIN prices, which are still eight times more expensive than they were in January. But industry analysts, executives and even researchers at the investment banks predict the cost of the RINs’ surge will be passed along to consumers by increasing the price of gasoline, if not later this year then next year.

Mr. O’Malley, the chairman of PBF Energy, likens the outcome to a hidden tax on the public. Unlike other taxes, which go to the government, this one goes to the speculators.

Double-Dipping on Credits

Every day, RINs are born in places like Fort Lauderdale, Fla., Chesapeake, Va., and Bainbridge, Ga. Across a network of 45 fuel terminals in the Southeast, and along the Mississippi and Ohio rivers, Morgan Stanley’s TransMontaigne stores, blends and distributes gasoline and other fuels.

Even though it is based in Denver, TransMontaigne sits at the center of a powerful Wall Street energy operation. It delivers 200,000 barrels of refined petroleum products each day, just under 2.5 percent of the total market, and plays a role in the RINs market in addition to any trading its parent, Morgan Stanley, might do. Morgan Stanley bought TransMontaigne in 2006.

For banks, trading RINs for clients can be lucrative. A big reason is that the credits are far more difficult to buy and sell because they are not traded on exchanges like stocks. As a result, the difference between the price at which one party is willing to sell and another is willing to buy is unusually wide. Those fat spreads mean big money for anyone serving as a middleman.

At a hearing in late July at the Commodity Futures Trading Commission, Mr. Mixon, the commission’s acting chief economist, estimated that RIN spreads were 4 percent of a transaction’s value. That is far more than the average stock commission.

In addition to Morgan Stanley and JPMorgan Chase, other big banks, like Citigroup and Barclays, are also registered with the E.P.A. to trade the credits.

Edward Westlake, an analyst at Credit Suisse, said many big financial firms have gone beyond RINs trading and pushed into blending fuel to create them as well. "Building a tank and blending doesn't cost a lot of money," Mr. Westlake said, "and there are folks on Wall Street who own tanks who are benefiting from the RINs."

Bank research departments are also trying to pique investor interest in this market. Goldman Sachs and Bank of America Merrill Lynch recently published bullish reports on the market. In July, Morgan Stanley published a report predicting that RIN prices would keep rising — and eventually cause gas prices to spike later this year.

Officials at the E.P.A. do not see excessive influence by financial speculators. They suggest the price spikes in RINs this year reflect the expectation of a shortage of the credits because rising renewable fuel mandates are occurring as consumer demand for gasoline is falling. "The market is expecting this future scarcity as the statutory mandates continue to increase," Mr. Grundler said.

Others say that prices are up mostly because the oil industry has refused to invest in renewable energy. For example, Jeremy Martin, a clean energy expert for the Union of Concerned Scientists, said many of the complaints about the credits come from industry players who want to see the renewable fuels program killed.

"It was meant to change behavior, and it was understood that if it was to be binding, RIN prices would not be close to zero," Mr. Martin said.

In fact even before RINs took off, they had become a contentious issue within the energy industry. Ethanol producers like the renewable fuel standards because they essentially guarantee a market for their product. But refiners — particularly those without operations to blend the fuel — regard the standards as an onerous and unnecessary business cost.

The Impact at the Pump

Margo T. Oge, who oversaw the creation of the ethanol credit program at the E.P.A., says that the rising price of RINs — no matter the cause — is good news and an indication that the program's goals are being met.

As the credits get more expensive, she says, oil and gas companies have a financial incentive to add more ethanol to fuel rather than buy credits. That, in turn, reduces oil imports and emissions — which was the point of creating the system in the first place.

Ms. Oge, who retired from the E.P.A. last year and is now a visiting scholar at the International Council on Clean Transportation, a research group in Washington, said RINs were never supposed to affect the price of gasoline at the pump. If that is the result of the price run-up this year, as many energy analysts predict, it would be an unwelcome outcome, she said.

"The last thing we wanted in implementing this program is to get price increases for the consumer," she said.

Even beyond the likely rise in gasoline prices, critics of the RINs market say it is deeply flawed, and they do not share Ms. Oge's optimistic takeaway of this year's market frenzy.

First, by allowing anyone to trade, including those with no real interest in energy, the E.P.A. encouraged speculation, the critics say. Second, the market operates largely in the dark, leaving it vulnerable to manipulation. Third, and perhaps most significant, the federal requirement for ethanol in gasoline means oil companies are captive buyers — meaning they are required to buy the credits when they do not or cannot blend their own fuel — a fact that savvy traders use to their advantage.

"The problem the E.P.A. had is they opened up the market on the trading side, but restricted it on the obligated side to refiners and importers," said Lawrence J. Goldstein, the former president of the Petroleum Industry Research Foundation, a nonprofit bipartisan group.

Analysts and others say the market is vulnerable to questionable practices like short squeezes, where prices are pushed up by holders of the credits to benefit their positions.

"Anybody who's participating in these markets has the opportunity to throw their weight around," said David J. Hackett, president of Stillwater Associates, a transportation energy consulting firm. "Whether it's a hedge fund or a refiner or ethanol producer, they would tend to drive the market in directions that are beneficial for whatever their goals."

An examination by The Times of participants registered with the E.P.A. found several people with troubled pasts, including one who was accused of helping run a Ponzi scheme, and another who pleaded guilty to illegal storage of hazardous waste.

The RINs market has come off the boil recently, but at 60 cents apiece the credits still cost far more than they did at the beginning of the year. While the E.P.A. says the market is sound, W. David Montgomery, an economist at Nera Economic Consulting, a unit of Marsh & McLennan, said the agency should install an overseer.

The E.P.A. disagrees, but said it was considering providing more data on who trades and holds RINs and had instituted a voluntary certification system for participants.

"We are exploring things like increasing the regularity of updating the transactional data system and providing more information about production volumes," Mr. Grundler, the E.P.A. official, said. "All are aimed at increasing confidence in this market and increasing compliance, which is our major concern."

But Tom Kloza, an analyst at the Oil Price Information Service, a leading source of petroleum pricing, said the potential for abuse will not disappear on its own.

"You could conceivably have a company in the middle holding millions of RINs," Mr. Kloza said. "Any entity could have a 1, 2 or 5 percent market share in RINs and is waiting to sell them at some explosive gain. I wonder, who's got the score card?"

Sent from my iPad

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To: McCabe, Janet[McCabe.Janet@epa.gov]; Ron Minsk (b) (6)
Deputy Administrator[62Perciasepe.Bob73@epa.gov]
From: David Marchick
Sent: Sat 9/14/2013 11:36:53 AM
Subject: Latest Wall Street Research on RINS
REFINT091213-135851 (2).pdf
ATT00001.txt

FYI - fairly pessimistic but representative view in the attached.

Hope all of you are well.

Dave

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Additional Thoughts On The Ethanol Blendwall

How Biodiesel May Become More Important

Independent Refiners

- **Key Takeaways.** We attended a Hart Energy sponsored presentation titled "How To Hang On Through 2014" which focused on biofuels (ethanol and biodiesel), the Renewable Fuel Standard (RFS) and Renewable Identification Number (RINs) costs. Their conclusions are that the odds of definitive congressional action are low in the near-term (5% chance to affect the RFS for 2014) but decent for the medium-term (50/50 chance to affect the RFS for 2015). However, they see congressional action as absolutely required to ultimately fix the RFS – an outcome with which we completely agree. They expect the EPA will adjust the 2014 ethanol volume mandate close to the blend wall, but leave a healthy gap expected to be filled by biodiesel. Thus biodiesel prices (or their raw components such as palm oil and other vegetable oils) could experience significant upwards price pressure in 2014 in our opinion. Finally, they anticipate that RINs compliance costs will almost certainly continue to present a challenge to obligated parties (i.e., refiners) in 2014 and possibly in 2015 if Congress fails to act. If the RFS is not altered by 2016, the entire refining sector will likely fall into noncompliance with unsettling and unpredictable outcomes likely. We do not expect that outcome, but we cannot fully dismiss it either.
- **Our Take.** As we have stated in several recent industry notes, we believe there is a growing groundswell of opposition to the RFS as currently structured and increasing momentum to act. It would be ideal if it would occur before year end 2013, but that appears to be a strategy more consistent with hoping as opposed to planning. We had not previously given much consideration to the impact on biodiesel markets given the lack of problems there and the much smaller size. However, the potential for the RFS to lean more heavily on biodiesel and biodiesel-generated RINs in 2014/2015 could lead to higher demand for vegetable oils (via both domestic and imported sources) and higher prices. At this time it is unclear exactly how much higher raw material prices would affect retail gasoline and diesel prices in 2014/2015. However, higher prices are generally negative for demand and could also impinge refining margins.
- **RINs Prices More Stable Recently.** Following the EPA's August 6, 2013 announcement that it acknowledged the challenges of the blend wall and would be likely to make adjustments to the 2014 ethanol mandate, RINs prices have been fairly stable at approximately \$0.70/RIN. At this level, RINs costs are clearly impacting refining margins, but at least volatility has declined.
- **Biodiesel Positioned To Plug The Gap.** Hart's presentation indicated that they expect the EPA to issue a waiver equivalent to 1.75 billion gallons of biofuel in 2014. For the biodiesel sector to generate these volumes may require meaningful imports of biodiesel in 2014.
- **Expanded Ethanol Blends As A Relief Valve?** As we noted in our last RFS-related report, *Refining: Could Ethanol Legislation Catch "A Ride?"* August 29, 2013, selling fuels with higher blends of ethanol E15 (15/85 blend of ethanol/gasoline) have been lackluster even in the corn belt. Expanding E85 (85/15 ethanol/gasoline blend) sales volumes are also touted as a solution, but E85 suffers from several challenges including lack of customer awareness, a too small discount to gasoline relative to its energy content and distribution challenges. Another longer-term challenge to selling more E85 volumes is it does not work well in the wintertime in cold climates. Thus during the winter months E70 (70/30 ethanol/gasoline blend) must be substituted for E85.

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To: Minsk Ron (b) (6) Deputy
Administrator[62Perciaspe.Bob73@epa.gov]; McCabe, Janet[McCabe.Janet@epa.gov]
From: David Marchick
Sent: Thur 8/15/2013 2:18:16 AM
Subject: Fwd: OPIS End of Day Ethanol Assessment Report

FYI.

Sent from my iPhone

Begin forwarded message:

From: "SCARGLE, THOMAS J" <THOMAS.SCARGLE@pes-companies.com>
Date: August 14, 2013, 2:58:39 PM PDT
To: "RINALDI, PHILIP L" <PHILIP.RINALDI@pes-companies.com>, David Marchick
<David.Marchick@carlyle.com>
Subject: FW: OPIS End of Day Ethanol Assessment Report

fyi

-----Original Message-----

From: opisethanol@opisnet.com [mailto:opisethanol@opisnet.com]
Sent: Wednesday, August 14, 2013 5:30 PM
To: OPIS Ethanol Updates
Subject: OPIS End of Day Ethanol Assessment Report

SPOT ETHANOL ASSESSMENT

	LOW	HIGH	AVG
Chicago	\$2.2950	\$2.3050	\$2.3000
Chicago Rule 11	\$2.3450	\$2.3600	\$2.3525
New York	\$2.5500	\$2.5800	\$2.5650
Gulf Coast	\$2.3450	\$2.3650	\$2.3550
Dallas	\$2.4000	\$2.4400	\$2.4200
Tampa	\$2.5000	\$2.5400	\$2.5200
Phoenix	\$2.4800	\$2.5000	\$2.4900
Nebraska	\$2.2000	\$2.2700	\$2.2350
Pac NW (1-5 days)	\$2.4500	\$2.4700	\$2.4600
S.F. (90.1 1-5 days)	\$2.4700	\$2.5200	\$2.4950
L.A. (90.1 1-5 days)	\$2.4700	\$2.5200	\$2.4950
L.A. (90.1 6-15 days)	\$2.4500	\$2.5000	\$2.4750

SPOT SME BIODIESEL ASSESSMENT

	LOW	HIGH	AVG
Chicago	\$4.7500	\$4.9500	\$4.8500

Gulf Coast	\$4.8100-\$4.9200	\$4.8650
New York	\$4.8200-\$4.9300	\$4.8750

ETHANOL RIN CREDITS

	LOW	HIGH	AVG
2012	\$0.7200	\$0.7400	\$0.7300
2013	\$0.7400	\$0.7600	\$0.7500
2014	\$0.7400	\$0.7600	\$0.7500

CELLULOSIC RIN CREDITS (EPA Waiver Calculation)

	LOW	HIGH	AVG
2012	\$0.7700	\$0.7900	\$0.7800
2013	\$0.4150	\$0.4250	\$0.4200

BIODIESEL RIN CREDITS

	LOW	HIGH	AVG
2012	\$0.8200	\$0.8600	\$0.8400
2013	\$0.8700	\$0.8900	\$0.8800
2014	\$0.9100	\$0.9600	\$0.9350

ADVANCED BIOFUEL RIN CREDITS

	LOW	HIGH	AVG
2012	\$0.8000	\$0.8300	\$0.8150
2013	\$0.8300	\$0.8500	\$0.8400
2014	\$0.8500	\$0.9000	\$0.8750

CALIF. LOW CARBON FUEL STANDARD

	LOW	HIGH	AVG
Carbon Credit (\$/MT)	\$64.000	\$66.000	\$65.000
Carbon Intensity Pts (\$/CI)	\$0.0052	\$0.0054	\$0.0053

Note: Market commentary for the above spot assessments will follow this e-mail shortly. The assessment values shown above are final for the day.

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To: McCabe, Janet[MCCabe.Janet@epa.gov]; Deputy
Administrator[62Perciasepe.Bob73@epa.gov]; 'rminsk@'(b) (6)
From: David Marchick
Sent: Fri 8/9/2013 1:17:30 PM
Subject: RINS final close yesterday

Settlement posted \$.67 v. anticipated \$.65. Apparently it takes a while for the official trade to close as they use a type of weighted average to post the number.
Also, there is a WSJ editorial today on the exemption for one refinery - it is circulating like hotcakes. Apparently many refiners are not happy about the waiver for one refinery. My gut is that conservatives on the hill will use this as an issue. Wanted to give you a heads up.

Dave

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(b) (6) Deputy
Administrator[62Perciasepe.Bob73@epa.gov]
From: David Marchick
Sent: Thur 8/8/2013 3:40:01 PM
Subject: FYI

Rins are bouncing between 60 and 75 cents today.

Article below provides good insight into why the trade associations were so negative – they want legislative change, and if they seem happy with EPA rule, then pressure for legislation dissipates.

Bid to Repeal Ethanol Mandate Seen Diluted by EPA Change

By Laura Litvan - Aug 8, 2013 12:00 AM ET

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Corn ethanol producers say a pledge by U.S. regulators to lower the level of renewable fuel use required next year may deflate a well-funded oil industry effort aimed at persuading Congress to repeal the mandate.

Ethanol supporters say the U.S. Environmental Protection Agency showed it can adjust to market needs with its Aug. 6 announcement that it will lower an 18.15 billion-gallon mandate for 2014 because demand for gasoline has lagged expected levels. That could slow momentum building in Congress for tougher action, they say.

"To a large extent, the effort in Congress probably lost a little wind in its sails," said Bob Dinneen, president of the Renewable Fuels Association in Washington, whose members include Archer-Daniels-Midland Co. (ADM) and Pacific Ethanol Inc. (PEIX)

The EPA's announcement, which was paired with an agency decision to give refiners an additional four months to reach 2013 goals, came as lawmakers in both chambers of Congress are preparing for a fight over whether to alter the mandate first established in 2007.

The debate over the renewable fuel standard puts the ethanol industry, which once had rock-solid support for its mandates and tax preferences, on the defensive.

Demand for gasoline and U.S. production of next-generation sources of fuel have lagged behind what was projected six years ago, and refiners complain that they could be forced to blend in more than 10 percent of ethanol, which they say isn't safe for all engines.

Advertising Blitz

The American Petroleum Institute began an advertising blitz last month designed to build pressure for a repeal of the federal biofuel rule, with TV, radio and print ads that focus on potential costs to consumers. One print ad says the higher ethanol mandate "could damage your engine, and void your warranty. Your engine won't like it, but your mechanic will."

Bob Greco, director of API's downstream group, said the EPA's action this week underscores how unrealistic the current mandate is, and his group will redouble efforts to convince lawmakers to provide some relief. API represents refiners and oil producers including Exxon Mobil Corp. (XOM) and Chevron Corp. (CVX)

"These are band-aids that will help fix this, but the statute itself is fundamentally broken," Greco said.

In both chambers, some lawmakers are calling for changes to the mandate. At a hearing of the House Energy and Commerce Committee last month, lawmakers in both parties said there may be enough support to make some changes, although there probably isn't enough for a full repeal.

Slipping Support

The panel's chairman, Republican Representative Fred Upton of Michigan, has asked a handful of lawmakers from his party -- including Representatives John Shimkus of Illinois and Lee Terry of Nebraska -- to examine which revisions should be considered.

Support for producers of the biofuel already has slipped. In June 2011, 33 Senate Republicans voted with Democrats in favor of eliminating a tax credit and a tariff that subsidize ethanol production.

While that didn't become law, with little fanfare at the end of that year the 45-cent-a-gallon tax credit for ethanol blenders expired, as did a 54-cent-a-gallon tariff on imports.

The declining political allegiance to ethanol, once required for political gains in rural states, also was on display in the 2012 Republican presidential campaign, where for the first time support for corn-based biofuels wasn't much of a factor.

Iowa Caucuses

Rick Santorum, who won the Iowa caucuses, relied far more on his support from religious conservatives than his backing of biofuels. Mitt Romney, the eventual Republican presidential nominee and an opponent of long-term government subsidies for the fuel, came in second, while Ron Paul, another subsidy foe, took third. Newt Gingrich, who had the highest rating on farm policy from the Iowa Corn Growers Association, took fourth.

Groups protecting the interests of ethanol producers say that as the oil industry engages in a consumer awareness campaign, their lobbying is centered more on one-on-one talks with lawmakers.

"We continue to talk to congressmen," said Pam Johnson, a corn and soybean farmer outside Floyd, Iowa, who is president of the Corn Board of the National Corn Growers Association. "We need to show them we need a long-term plan. We don't need a short-sighted move to repeal the RFS because we want them to take the long-term big picture view of what's necessary for fuels in this country."

Beneficial Gridlock

Ethanol groups also say they can look to the EPA's show of flexibility to aid them.

"What the EPA did was send a strong signal to Congress that they have the administrative flexibility to adjust these volume goals accordingly," said Michael Frohlich, a spokesman for Growth Energy, which represents ethanol producers and is led by Poet LLC, the nation's largest biofuels maker.

At the same time, a Congress that hasn't been able to agree on cutting budget deficits also appears incapable of doing much with environmental policy, he said.

Splits in Congress over the issue were evident this week.

Senator Tom Carper, a Delaware Democrat, said the decision "sends a strong signal to our refineries that the EPA is listening to their concerns and working responsibly to address them."

The biggest defender of ethanol standards in Congress, Republican Senator Charles Grassley of Iowa, a major corn-growing state, said he'll fight any attempt to curb the standard.

Grassley Defense

"The RFS has already led to significant environmental, economic and national security gains," Grassley said in a statement. "The promise of the next generation of biofuels will add even more. But that's only if we protect the existing supportive policies and work to provide greater certainty for this burgeoning industry. I intend to do just that."

At the same time, other lawmakers who have advocated outright repeal or broad revisions said they'll press ahead.

Representative Bob Goodlatte, a Virginia Republican, and Senator James Inhofe, an Oklahoma Republican, called for an end to the biofuel requirement.

In a letter to President Barack Obama, Senator David Vitter of Louisiana, the top Republican on the Environment and Public Works Committee, urged the administration to waive the 2014 biofuel mandates altogether to buy time for Congress to make broad changes.

"The premise and structure of the RFS were based on many assumptions that no longer reflect the current market conditions," Vitter wrote in the Aug. 1 letter that was also signed by Inhofe and Senator Mark Pryor, an Arkansas Democrat.

Revise Statute

Jason Bordoff, director of Columbia University's Center for Global Energy Policy, said while the battle moves to Congress, it's unclear what any new mandate might look like and whether there's enough momentum for action.

"It would be cleaner for Congress to revise the statute to fix the problem in the first instance," Bordoff said. "The tension is that the more flexible EPA is, the more pressure it might remove from Congress to in fact take the steps to fix the blend-wall problem through legislation."

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To: McCabe, Janet[MCCabe.Janet@epa.gov]; Minsk, Ron
(b) (6) Deputy
Administrator[62Perclasepe.Bob73@epa.gov]
From: David Marchick
Sent: Thur 8/8/2013 12:45:43 PM
Subject: RINs official close last night

Ethanol RINs settled at \$.74 last night. Biodiesel Rins were at \$.92.

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